

Message Text

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17-12

ACTION ARA-20

INFO OCT-01 EA-11 ISO-00 PM-07 NSC-10 SPC-03 SS-20 RSC-01

CIAE-00 DODE-00 INR-10 NSAE-00 PA-04 USIA-15 PRS-01

AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

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C O N F I D E N T I A L TOKYO 14323

E.O. 11652: GDS

TAGS: ETRD, JA, CU, EFIN

REF: A. STATE 207940; B. SHOESMITH-LEVIN TELCON OCT 23

SUMMARY: FONOFF HAS CONFIRMED FIRM GOJ DECISION TO PROVIDE EXIMBANK CREDITS TO CUBA. FIRST SUCH CREDIT EXPECTED EARLY 1974 FOR \$3 MILLION DRY CELL BATTERY PLANT. UNDERSTANDINGS REACHED IN WASHINGTON RE RESTRICTIONS ON CREDITS AND ON TECHNICAL ASSISTANCE PROGRAMS CONFIRMED EXCEPT FOR SCOPE OF TECHNICAL ASSISTANCE PROGRAMS WHICH WILL EXTEND BEYOND HUMANITARIAN PROJECTS. END SUMMARY.

1. ECON/COUNS CALLED ON SAKAMOTO (HEAD, SECOND CENTRAL AND SOUTH AMERICA DIVISION, FONOFF) NOVEMBER 2 TO MAKE DEMARCHE AS INSTRUCTED REF A. AFTER REFERRING TO CONSULTATIONS ON CUBA IN WASHINGTON LAST MONTH AND REVIEWING DISCUSSION THERE AS REPORTED PARA 1 REF A, ECON/COUNS ASKED THAT GOJ RECONSIDER ITS DECISION IF IT WERE NOT FINAL.

2. SAKAMOTO STATED THAT DECISION HAD IN FACT BEEN TAKEN IN SEPTEMBER BY MINISTERS OF THE THREE APPROPRIATE AGENCIES -- FONOFF, MITI AND MOF -- AND THAT DEPARTMENT
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HAD BEEN SO ADVISED AT CONSULTATIONS IN OCTOBER. WHILE

NOT GOING INTO BACKGROUND OF DECISION, SAKAMOTO NOTED IT WAS MADE FOLLOWING STUDY OF GRANTING OF CREDITS TO CUBA BY EUROPEAN COUNTRIES. HOWEVER, MORE BASIC POINT WAS THAT DECISION REPRESENTED NOTHING MORE THAN PUTTING INTO EFFECT OF GOJ POLICY WHICH HAD BEEN STATED BY GOJ TO DIET FOR PAST SEVERAL YEARS, I.E. AT SUCH TIME AS CONCRETE APPLICATIONS FOR EXIMBANK CREDITS FOR CUBA ARE RECEIVED, THEY WILL STUDIED ON CASE BY CASE BASIS. WHEN ECON/COUNS COUNTERED THAT QTE CASE BY CASE BASIS UNQTE HAD OFTEN BEEN USED IN OTHER CONNECTIONS TO INDICATE DIS-APPROVAL RATHER THAN APPROVAL, SAKAMOTO STATED THAT GOJ QTE COULD NOT SAY NO TO APPLICATIONS UNQTE. THUS, HE SAID, IT NOT POSSIBLE TO RECONSIDER GOJ DECISION.

3. SAKAMOTO WENT ON TO REPORT THAT CONCRETE APPLICATION HAS BEEN RECEIVED FOR \$3 MILLION CREDIT FOR DRY CELL BATTERY PLANT. GOJ INTENDS APPROVE APPLICATION ON TERMS OF FIVE YEAR DEFERRED CREDIT WITH SEVEN PERCENT INTEREST. TIMING OF GRANTING OF CREDIT WILL DEPEND ON DELIVERY TIME NEGOTIATED BY JAPANESE FIRM. FONOFF EXPECTS IT WILL BE IN EARLY 1974.

4. IN ADDITION, TWO OTHER APPLICATIONS ARE UNDER PREPARATION BY JAPANESE FIRMS. ONE IS FOR \$1.3 MILLION FOR PUMPING SYSTEM FOR IRRIGATION AN OTHER IS FOR \$3 MILLION FOR SUBMERSIBLE DEEP WELL PUMP. BOTH WOULD BE UNDER SAME TERMS AS PARA 3.

5. IN VIEW OF FOREGOING STATEMENTS BY SAKAMOTOE, ECON/COUNS ASKED FOR CONFIRMATION OF GOJ POLICY AS INSTRUCTED PARA 3 REF A. SAKAMOTO CONFIRMED RESTRICTION RE EXIMBANK CREDITS ALTHOUGH NOTED AMBIGUITY OF QTE LARGE UNQTE INDIVIDUAL TRANSFERS. HE SAID THAT CERTAINLY NO PROJECTS IN THE \$100 MILLION RANGE WOULD BE CONTEMPLATED AND THAT GOJ WOULD NOT APPROVE THREE OR FOUR PROJECTS AT SAME TIME. HE ADDED THAT ONE LIMITING FACTOR WOULD BE CEILING PLACED BY GOJ EXPORT INSURANCE PROGRAMS ON AMOUNT OF INSURANCE OUTSTANDING TO CUBA. WHILE SAKAMOTO DECLINED DIVULGE CEILING IN CASE OF CUBA, HE INDICATED THAT IT WAS NOT HIGH.

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6. RE JAPANESE TECHNICAL ASSISTANCE PROGRAMS, SAKAMOTO CONFIRMED UNDERSTANDING PARA 3 REF A WITH EXCEPTION OF RESTRICTION TO QTE HUMANITARIAN UNQTE PROJECTS. HE SAID THAT TECHNICAL ASSISTANCE PROGRAMS WOULD BE LIMITED TO THOSE HAVING NOTHING TO DO WITH SECURITY OR STRATEGIC CONSIDERATIONS BUT WOULD INCLUDE NON-HUMANITARIAN PROJECTS. PROGRAMS PRESENTLY UNDER CONSIDERATION BY GOJ ARE IN FIELDS

OF WOOD PROCESSING MACHINERY, METAL PROCESSING MACHINERY,
ARTIFICIAL INSEMINATION AND QTE GASTROCAMERA UNQTE.

7. IN CONCLUSION ECON/COUNS EXPRESSED REGRET AT GOJ
DECISION BUT THANKED SAKAMOTO FOR HIS EXPLANATION
AND HIS ASSURANCES THAT PROGRAMS WOULD BE LIMITED.
SAKAMOTO NOTED THAT FONOFF WOULD EXERT STRENUOUS EFFORTS
TO AVOID ANY PUBLICITY THIS ISSUE.
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